

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 AGR-05

DOT-00 FMC-01 CG-00 COA-01 DLOS-03 FAA-00 /092 W

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R 301240Z JAN 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6588

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KABUL

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 1397

E. O. 11652: N/A

TAGS: PFOR, ETRD, IN, PK

SUBJECT: INDIA PAKISTAN TRADE TALKS

SUMMARY: INDIAN OFFICIALS ARE GENERALLY PLEASED ABOUT THE PROGRESS TOWARD RESUMING INDIA-PAKISTAN TRADE IN RECENT WEEKS -- THE SHIPPING AGREEMENT, THE FORMAL TRADE AGREEMENT AND THE VISIT OF THE PAKISTANI COTTON SALES DELEGATION. THEY ARE ALSO ENCOURAGED THAT PAKISTANI FOREIGN SECRETARY AGHA SHAHI WILL PROBABLY VISIT DELHI TO REVIEW OTHER OUTSTANDING PROBLEMS. END SUMMARY.

1. IN THEIR SECOND ROUND OF TALKS, LAST WEEK IN ISLAMABAD, INDIA AND PAKISTAN MADE CONSIDERABLE ADDITIONAL PROGRESS TOWARD RESUMPTION OF TRADE. ON JANUARY 15 THEY HAD AGREED
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TO RESUMPTION OF SHIPPING SERVICES BETWEEN THE TWO COUNTRIES,

WHICH HAVE BEEN SUSPENDED SINCE 1965. ON JANUARY 23 THEY SIGNED A FORMAL TRADE AGREEMENT AND ALSO MADE ARRANGEMENTS FOR BANK TRANSFERS TO FINANCE THE TRADE. A PAKISTANI COTTON DELEGATION IS NOW IN BOMBAY NEGOTIATING ON COTTON SALES, AND A PAKISTANI DELEGATION IS EXPECTED IN LATE MARCH TO LOOK INTO PURCHASE OF ENGINEERING GOODS.

2. ALTHOUGH INDIAN OFFICIALS MAKE NO BONES ABOUT IT THAT THEY WOULD LIKE A MUCH MORE RAPID ADVANCE TOWARD NORMAL TRADE, THE FOREIGN MINISTRY JOINT SECRETARY FOR PAKISTAN, ASHOK CHIB, TOLD THE POLITICAL COUNSELOR AND THE ECONOMIC COUNSELOR FROM AMEMBASSY ISLAMABAD JANUARY 29 THAT INDIAN NEVERTHELESS WAS GENERALLY PLEASED WITH PROGRESS SO FAR. HE REPORTED THAT, IN ADDITION TO THE AGREEMENTS AND VISITS MENTIONED IN THE PRESS (PARAGRAPH 1 ABOVE), BOTH SIDES HAD DISCUSSED THE POSSIBILITY OF REOPENING THE RAIL LINK BETWEEN LAHORE AND AMRITSAR, WHICH HAS BEEN CLOSED SINCE 1965. INDIAN APPARENTLY IS ARGUING THAT IT CAN SHIP ENGINEERING GOODS MORE CONVENIENTLY BY RAIL THAN BY SEA. REOPENING OF THE RAIL LINK WOULD TAKE ABOUT SIX WEEKS ON THE INDIAN SIDE, ACCORDING TO CHIB, AND NOT MUCH LONGER ON THE PAKISTANI SIDE.

3. CHIB ALSO SAID PAK FOREIGN SECRETARY AGHA SHAHI HAD TENTATIVELY AGREED TO COME TO DELHI IN THE RELATIVELY NEAR FUTURE FOR THE NEXT ROUND OF TALKS ON CIVIL AVIATION PROBLEMS AND TO REVIEW PAK CONCERNS ABOUT INDIAN CONSTRUCTION OF THE SALAL DAM ON THE UPPER CHENAB RIVER. CHIB ALSO DISCUSSED OPERATION OF VISA AGREEMENT WITH SATTAR ON PAK SIDE AND SAID SATTAR HAD PRIVATELY AGREED PAK MFA HAD A DIFFICULT PROBLEM WITH ITS HOME MINISTRY WHICH TOOK A RATHER STIFF POSITION ON VISITORS EITHER WAY. BOTH SIDES ALSO DISCUSSED THEIR AGREEMENT TO LIMIT PROPAGANDA, WHICH IS WORKING WELL, ACCORDING TO CHIB, SO FAR AS RADIO BROADCASTS WERE CONCERNED. INDIANS OBJECTED TO PAK PROPAGANDA THROUGH THEIR EMBASSIES OVERSEAS (AS WELL AS FAILURE OF PAK MFA TO PASS INSTRUCTIONS ON VISA ISSUANCE TO PAK EMBASSIES). SATTAR ALLEGEDLY ACKNOWLEDGED A PROBLEM WHICH HE AGREED TO LOOK INTO.

4. INDIAN OFFICIALS RECOGNIZE THAT THE PROGRESS ACHIEVED
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THUS FAR HAS NOT BEEN WITHOUT "COST." BOTH SIDES HAD TO PUT ASIDE CLAIMS RESULTING FROM CARGOES SEIZED DURING THE 1965 WAR, FOR EXAMPLE, TO ACHIEVE THE SHIPPING AGREEMENT. PAKISTAN HAD SECOND THOUGHTS AND ALMOST DIDN'T SIGN THE TRADE AGREEMENT AT THE LAST MINUTE, ACCORDING TO CHIB, APPARENTLY BECAUSE OF CONCERN OVER THE POLITICAL REACTION BY THE PAKISTAN GOVERNORS' CONFERENCE, WHICH WAS ON THE VERGE OF MEETING. INDIAN OFFICIALS ALSO NOTE THAT PAKISTAN WAS UNWILLING TO AGREE TO RESUMPTION

OF PASSENGER SHIP SERVICES.
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